

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1029 - SB 1049

March 24, 2017

SUMMARY OF BILL: Prohibits manufacturers, wholesalers, and retailers from manufacturing, distributing, and selling children's products or upholstered furniture containing more than 1,000 parts per million of specified chemicals used in flame retardants. Authorizes the Department of Agriculture (DOA) to promulgate rules to require other commercial consumer products to be subject to such prohibition. Requires manufacturers to notify consumer product sellers of the prohibitions at least 90 days prior to effective date of the restrictions. Requires manufacturers to recall any consumer products and reimburse the retailer or any other purchaser if such restrictions have been placed on their items.

Establishes a civil penalty up to \$5,000 per item for any manufacturer in violation. Requires the DOA to send a written notification to any person found in violation and such violator shall have 10 days to request a hearing that is required to be conducted in accordance with the Uniform Administrative Procedures Act. Exempts casual or isolated sales or sales by nonprofit organizations of previously-owned products from the prohibitions established under this Act. Requires all upholstered commercial furniture that is manufactured or sold to be labeled and requires manufacturers and retailers to mark whether such items contain any added flame retardant chemicals. Requires the Act to take effect July 1, 2018.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$210,200/FY18-19

\$205,400/FY19-20 and Subsequent Years

Assumptions:

- The proposed legislation would require a testing and sampling program to ensure compliance.
- DOA will require one full-time position and three part-time Consumer Protection Specialist 2 positions (equivalent to 1.5 full-time equivalent positions) to conduct inspections and to obtain and submit samples of products.
- The one-time increase in state expenditures for computers and printers is estimated to be \$4,800.
- The recurring increase in state expenditures for the additional positions is estimated to be \$126,886, of which \$86,500 is for salary and wages; \$13,314 is for benefits to the

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full-time position; and \$27,072 for total travel for inspections and obtaining test samples.

- Based on information provided by DOA, the recurring cost to purchase furniture and children's products for sampling and testing and to conduct lab analysis on such products is estimated to be \$78,509 (\$14,400 furniture + \$3,000 children's products + \$61,109 lab analysis).
- The total increase in state expenditures in FY18-19 is estimated to be \$210,195 (\$4,800 + \$126,886 + \$78,509); the total recurring increase in state expenditures beginning in FY19-20 is estimated to be \$205,395 (\$126,886 + \$78,509).
- The total sales of children's products and upholstered furniture will not be impacted by this legislation. As a result, any change in state and local sales tax revenue is estimated to be not significant.

IMPACT TO COMMERCE:

Increase Business Revenue - \$78,500/FY18-19 and Subsequent Years

Increase Business Expenditures –

Exceeds \$500,000/FY18-19

Exceeds \$100,000/FY19-20 and Subsequent Years

Jobs Impact – Not Significant

Assumptions:

- There will be a recurring increase in business revenue estimated to be \$78,509 (\$14,400 furniture + \$3,000 children's products + \$61,109 lab analysis) beginning in FY18-19.
- The proposed legislation requires manufacturers to recall consumer products and reimburse the retailer or any other purchaser if restrictions have been placed on their items; requires all upholstered commercial furniture that is manufactured or sold to be labeled; and requires manufacturers and retailers to mark whether such items contain any added flame retardant chemicals.
- As a result, the one-time increase to business expenditures in FY19-20 is estimated to exceed \$500,000 for complying with the requirements of the proposed legislation. The recurring increase in business expenses in FY19-20 is estimated to exceed \$100,000.
- The demand for children's products or upholstered furniture will not be impacted by this Act. Any decrease in sales of children's products or upholstered furniture containing more than 1,000 parts per million of specified chemicals will be offset by an increase in sales of other such items. As a result, any impact on business revenue in the state will be not significant.
- The provisions of this legislation will create one full-time and three part-time additional jobs in the DOA; however, it is unclear whether the four individuals hired will be people currently employed elsewhere in Tennessee. Given the low number of positions, and the

possibility that such positions could be filled with individuals currently employed in Tennessee, any net change in total jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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